



WISCONSIN

DEPARTMENT OF WORKFORCE DEVELOPMENT  
Division of Workforce Solutions  
Bureau of Partner Services

TO: **Economic Support Supervisors  
Economic Support Lead Workers  
Training Staff  
Child Care Coordinators  
W-2 Agencies**

FROM: Amy Mendel-Clemens  
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**BPS OPERATIONS MEMO**

No.: 02-37

File: 2720 2760

Date: 6/19/2002

Non W-2 ☒ W-2 ☐ CC ☐

PRIORITY: Medium

SUBJECT: **Indemnification Insurance Policies for Medicaid**

**CROSS REFERENCE:** MA Handbook Appendix 10.6.3  
MA Handbook Appendix 38.3.5. (next release)

**EFFECTIVE DATE:** Immediately

**PURPOSE**

This memo explains the following for Wisconsin Medicaid institutional, community waivers, and deductible cases:

- The policy for the treatment of hospital insurance premiums in eligibility and post-eligibility tests.
- Third party liability (TPL) cooperation requirements for reporting indemnification policies.
- The policy and process for turning over indemnification payments to the State of Wisconsin.

**BACKGROUND**

Indemnification policies are insurance policies that provide benefits in a fixed amount for a confinement, such as \$100 per day for each day of a hospitalization. The amount does not change regardless of the expenses that are actually incurred by the insured. The following are two types of indemnification policies:

1. Long Term Care (LTC) insurance, often referred to as Nursing Home policies.
2. Hospital insurance, often disease specific.

In the past, nursing home insurance premiums have been allowed as a deduction in the eligibility and patient liability calculation for institutional cases, but some hospital insurance premiums were not.

Some Economic Support Specialists (ESS) have been counting the payment from indemnity insurance as income in the month of receipt.

## **POLICY**

Treat indemnification insurance (hospital or nursing home insurance) as medical insurance.

The premiums are allowed as a deduction in the eligibility test for institution, community waivers and deductible cases. The premiums for indemnification policies are also a deduction in the determination of the patient liability for institutional cases and cost share for community waivers cases.

All Medicaid recipients must cooperate in:

- Providing TPL coverage and access information for indemnification policies, **and**
- Turning over the indemnification insurance payments for those situations in which the payment is received directly by the client. Payments received from indemnification policies should not be considered income in the month that they are received.

Failure to cooperate will result in the loss of MA eligibility for the individual that does not cooperate, unless there is good cause for the non-cooperation. If a recipient wants to claim good cause, the ESS will provide him/her with a Good Cause Claim form (DES 2019).

## **PROCESS**

Enter all indemnification policies on AFMC. The premium amount will be deducted in the eligibility test and the post-eligibility calculation for MA. As long as the payment from the policy is intended to cover any type of allowed medical expense, the premium amount is also allowed as a medical expense deduction in the food stamp benefit eligibility determination.

To assign indemnification policies to the State of Wisconsin, the MA recipient must provide a statement in writing to the insurance company requesting that all future payments be made to the State of Wisconsin. The ESS will request a copy of the client's letter to the insurance company, and will retain a copy in case records. A copy of the client's letter will also be sent to the following address:

**Wisconsin Medicaid  
TPL Unit  
6406 Bridge Road  
Madison, WI 53784-6220**

Any payments the recipient receives before the insurance company has changed the assignment to the State of Wisconsin should be signed over to the State of Wisconsin. The recipient should write on the back of the check "Pay to the order of the State of Wisconsin" and sign the check. The recipient should then give the check and a copy of the Explanation of Benefits (EOB) that is provided by the insurance company to his/her ESS. The ESS should

record in case comments that the payment was received. The ESS should then send these payments and the EOB statement to the address listed above.

In certain cases, the policies cannot be assigned to anyone other than the policyholder. In this instance, the recipient should sign over the check and provide the check and EOB to his/her ESS on a monthly basis. The ESS should send the payment and EOB to the address listed above.

If at any point, the recipient refuses to cooperate with providing information about TPL coverage and access, assigning the indemnity insurance payments, or in paying the State of Wisconsin for the amount received from the insurance company, the ESS should terminate eligibility for the individual that is not cooperating by entering an "N" in the cooperation field on AFMC.

### ***OTHER PROGRAMS***

As long as the payment from an indemnification policy is intended to cover any type of allowed medical expense, the premium amount is also allowed as a medical expense deduction in the food stamp benefit eligibility determination.

There is no impact on W-2, Child Care, or Caretaker Supplement.

### ***FORMS OR INFORMATIONAL MATERIALS***

MA Handbook release 02-03 includes this policy in 10.6.3 and 38.3.5.

### ***CONTACT***

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Note: Email contacts are preferred. Thank you.